

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|---|-----------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name North Plains Township | County Ionia |
| Fiscal Year End 3/31/2007 | Opinion Date 7/11/07 | Date Audit Report Submitted to State 8/17/2007 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|--------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input checked="" type="checkbox"/> | N/A | |
| Certified Public Accountant (Firm Name) Abraham & Gaffney P.C. | | Telephone Number 517-351-6836 | |
| Street Address 3511 Coolidge Road, Suite 100 | | City East Lansing | State Mi |
| Authorizing CPA Signature  | | Printed Name Aaron Stevens | Zip 48823 |
| | | License Number 1101020455 | |

**Township of North Plains
Ionia County, Michigan**

FINANCIAL STATEMENTS

March 31, 2007

Township of North Plains

Ionia County, Michigan

March 31, 2007

BOARD OF TRUSTEES

William Kruger

Supervisor

Robert Fahey

Clerk

Earl Howell

Treasurer

James Ward

Trustee

William Cunningham

Trustee

Township of North Plains

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of North Plains
Hubbardston, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of North Plains, Michigan as of and for the year ended March 31, 2007, which collective comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township of North Plains' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of North Plains as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 11, 2007

Township of North Plains
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2007

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- State shared revenue, our largest revenue source in the General Fund, increased \$704 from the prior year.
- Property tax revenues increased approximately \$1,815 from the prior year. The increase is the net result of a collection fee received for the new state mandated SET (summer tax collection) and increasing property values in the Township.
- Total fund balance related to the Township's governmental fund increased by \$2,239.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of North Plains as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of North Plains in more detail than the government-wide financial statements by providing information about the Township's General Fund.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2007 and 2006.

| | <u>2007</u> | <u>2006</u> |
|----------------------------|--------------------|--------------------|
| Assets | | |
| Current assets | \$ 105,242 | \$ 107,672 |
| Capital assets | <u>197,646</u> | <u>197,737</u> |
| Total assets | 302,888 | 305,409 |
| Liabilities | | |
| Current liabilities | <u>5,721</u> | <u>10,390</u> |
| Net Assets | | |
| Invested in capital assets | 197,646 | 197,737 |
| Unrestricted | <u>99,521</u> | <u>97,282</u> |
| Total net assets | <u>\$ 297,167</u> | <u>\$ 295,019</u> |

The Township's total net assets were \$297,167 at March 31, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$99,521 at the end of the fiscal year. The net asset invested in capital assets were at \$197,646.

Township of North Plains
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2007

The Township as a Whole - continued

The following table shows the changes in net assets during the years ended March 31, 2007 and 2006, respectively:

| | <u>2007</u> | <u>2006</u> |
|----------------------------------|-----------------|---------------------|
| Revenue | | |
| Program revenue: | | |
| Charges for services | \$ 11,771 | \$ 10,383 |
| Capital grants and contributions | 11,592 | - |
| General revenue: | | |
| Property taxes | 22,358 | 21,824 |
| State shared revenue | 69,188 | 68,484 |
| Investment earnings | 3,355 | 4,311 |
| Other revenue | <u>104</u> | <u>2,445</u> |
| Total revenue | 118,368 | 107,447 |
| Program Expenses | | |
| General government | 42,079 | 46,274 |
| Public safety | 19,375 | 20,550 |
| Public works | 50,188 | 50,446 |
| Health and welfare | <u>4,578</u> | <u>4,578</u> |
| Total program expenses | <u>116,220</u> | <u>121,848</u> |
| Change in net assets | <u>\$ 2,148</u> | <u>\$(14,401)</u> |

Governmental Activities

The Township's governmental revenues totaled \$118,368 with the greatest revenue source being state shared revenue. The second largest source of revenue was taxes of \$22,358. Over the past few years, state revenue sharing and investment earnings have both declined.

The Township incurred expenses of \$116,220 during the year. The majority of governmental expense is associated with the public works and general government functions.

The Township's Fund

The analysis of the Township's General Fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the only fund of the Township, not the Township of North Plains as a whole. The Township of North Plains' Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for the Township's governmental services. The most significant service provided during the fiscal year was road management, which incurred expenditures of \$50,188 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund anticipated expenditures during the year. However, there was an overall favorable variance of approximately \$16,639 between budgeted and actual amounts.

Township of North Plains
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2007

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had approximately \$197,646 invested in capital assets, net of accumulated depreciation, including building and vehicles. In addition, the Township has made certain investments in roads and drains within the Township of North Plains. These assets are not reported in the Township of North Plains' fund statements, because under Michigan law, these roads and drains are the property of the Ionia County Road and Drain Commissions, respectively.

The Township did not have any outstanding long-term debt as of the end of the fiscal year.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer.

BASIC FINANCIAL STATEMENTS

Township of North Plains
STATEMENT OF NET ASSETS

March 31, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 62,138 |
| Investments | 40,643 |
| Taxes receivable | <u>2,461</u> |
| Total current assets | 105,242 |
| Noncurrent assets | |
| Capital assets, net of accumulated depreciation | <u>197,646</u> |
| TOTAL ASSETS | 302,888 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | <u>5,721</u> |
| NET ASSETS | |
| Invested in capital assets | 197,646 |
| Unrestricted | <u>99,521</u> |
| TOTAL NET ASSETS | <u><u>\$ 297,167</u></u> |

See accompanying notes to financial statements.

Township of North Plains
STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|-----------------------------------|-------------------|-------------------------|-------------------------------------|--|
| | | Charges for Services | Capital Grants and Contributions | |
| Governmental activities: | | | | |
| General government | \$ 42,079 | \$ 11,771 | \$ 11,592 | \$ (18,716) |
| Public safety | 19,375 | - | - | (19,375) |
| Public works | 50,188 | - | - | (50,188) |
| Health and welfare | 4,578 | - | - | (4,578) |
| Total governmental activities | <u>\$ 116,220</u> | <u>\$ 11,771</u> | <u>\$ 11,592</u> | (92,857) |
| General revenues: | | | | |
| Property taxes | | | | 22,358 |
| State shared revenue | | | | 69,188 |
| Investment earnings | | | | 3,355 |
| Other | | | | <u>104</u> |
| Total general revenues | | | | <u>95,005</u> |
| Change in net assets | | | | 2,148 |
| Net assets, beginning of the year | | | | <u>295,019</u> |
| Net assets, end of the year | | | | <u>\$ 297,167</u> |

See accompanying notes to financial statements.

Township of North Plains
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2007

| | <u>General</u> |
|------------------------------------|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 62,138 |
| Investments | 40,643 |
| Taxes receivable | <u>2,461</u> |
| TOTAL ASSETS | <u><u>\$ 105,242</u></u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable | \$ 5,721 |
| FUND BALANCE | |
| Unreserved - undesignated | <u>99,521</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 105,242</u></u> |

See accompanying notes to financial statements.

Township of North Plains

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Fund balance - governmental fund \$ 99,521

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

| | |
|-------------------------------|-----------------|
| The cost of capital assets is | \$ 258,189 |
| Accumulated depreciation is | <u>(60,543)</u> |

| | |
|---------------------|----------------|
| Capital assets, net | <u>197,646</u> |
|---------------------|----------------|

| | |
|--|--------------------------|
| Net assets of governmental activities | <u><u>\$ 297,167</u></u> |
|--|--------------------------|

See accompanying notes to financial statements.

Township of North Plains

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended March 31, 2007

| | <u>General</u> |
|-------------------------------------|-----------------------------|
| REVENUES | |
| Taxes | \$ 31,199 |
| Licenses and permits | 2,930 |
| Intergovernmental | 69,188 |
| Interest and rents | 3,355 |
| Other | <u>104</u> |
| TOTAL REVENUES | 106,776 |
| EXPENDITURES | |
| Current | |
| General government | 40,771 |
| Public safety | 9,000 |
| Public works | 50,188 |
| Health and welfare | <u>4,578</u> |
| TOTAL EXPENDITURES | <u>104,537</u> |
| NET CHANGE IN FUND BALANCE | 2,239 |
| Fund balance, beginning of year | <u>97,282</u> |
| Fund balance, end of year | <u><u>\$ 99,521</u></u> |

See accompanying notes to financial statements.

Township of North Plains

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

| | |
|---|-----------------|
| Net change in fund balance - governmental fund | \$ 2,239 |
|---|-----------------|

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | |
|----------------------|----------|
| Depreciation expense | (11,683) |
|----------------------|----------|

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

| | |
|----------------------|---------------|
| Capital contribution | <u>11,592</u> |
|----------------------|---------------|

| | |
|--|-------------------------------|
| Change in net assets of governmental activities | <u><u>\$ 2,148</u></u> |
|--|-------------------------------|

See accompanying notes to financial statements.

Township of North Plains

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Plains Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ionia County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of North Plains. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of North Plains Township contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's only governmental fund. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

5. Budgets and Budgetary Accounting

The General budget shown in the required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budget were not material.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and savings accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

7. Property Tax

North Plains Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ionia County Treasurer on March 1 of the year following the levy. The Ionia County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire operations and debt service. For the year ended March 31, 2007, the Township levied .8573 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$25,964,360.

8. Capital Assets

Capital assets include buildings and public safety vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|-----------|----------|
| Buildings | 40 years |
| Vehicles | 20 years |
| Equipment | 10 years |

9. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, the carrying amount of the Township's deposits were \$102,781 and the bank balance was \$102,791 which was fully covered by federal depository insurance.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township did not have any investments that would be subject to rating.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

| | Balance <u>April 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>March 31, 2007</u> |
|------------------------------------|---------------------------------|-------------------|------------------|----------------------------------|
| Buildings | \$ 23,407 | \$ - | \$ - | \$ 23,407 |
| Vehicles | 223,190 | - | - | 223,190 |
| Equipment | <u>-</u> | <u>11,592</u> | <u>-</u> | <u>11,592</u> |
| Subtotal | 246,597 | 11,592 | -0- | 258,189 |
| Less accumulated depreciation for: | | | | |
| Buildings | (21,066) | (585) | - | (21,651) |
| Vehicles | (27,794) | (10,375) | - | (38,169) |
| Equipment | <u>-</u> | <u>(683)</u> | <u>-</u> | <u>(683)</u> |
| Total accumulated depreciation | <u>(48,860)</u> | <u>(11,683)</u> | <u>-0-</u> | <u>(60,543)</u> |
| Capital assets net | <u>\$ 197,737</u> | <u>\$ (91)</u> | <u>\$ -0-</u> | <u>\$ 197,646</u> |

Depreciation expense was charged to the following governmental activities:

| | |
|----------------------------|------------------|
| General government | \$ 1,308 |
| Public safety | <u>10,375</u> |
| Total depreciation expense | <u>\$ 11,683</u> |

Township of North Plains

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE D: PENSION PLAN

North Plains Township is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The North Plains Township Money Purchase Pension Plan is a money purchase defined contribution pension benefit plan and is administered by Municipal Retirement Systems, Inc. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. During the year ended March 31, 2007, North Plains Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be eighteen (18) years of age.

For the year ended March 31, 2007, North Plains Township had a total payroll of \$26,832. The North Plains Township Money Purchase Pension Plan had a covered payroll of \$21,407. North Plains Township made employer contributions to the pension plan of \$2,141.

NOTE E: RISK MANAGEMENT

The Township participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, additional equipment, boiler and machinery, official bond and oath, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules shown as required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level for the General Fund.

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|-------------------------------|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| Public Works | | | |
| Highways, streets and bridges | \$ 48,000 | \$ 50,188 | \$ 2,188 |

REQUIRED SUPPLEMENTARY INFORMATION

Township of North Plains

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---------------------------------|------------------|-----------|-----------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 29,100 | \$ 29,100 | \$ 31,199 | \$ 2,099 |
| Licenses and permits | 2,800 | 2,800 | 2,930 | 130 |
| Intergovernmental - State/Local | 69,100 | 69,100 | 69,188 | 88 |
| Interest | 1,500 | 1,500 | 3,355 | 1,855 |
| Other | 400 | 400 | 104 | (296) |
| TOTAL REVENUES | 102,900 | 102,900 | 106,776 | 3,876 |
| EXPENDITURES | | | | |
| General government | | | | |
| Township board | 18,000 | 18,000 | 12,856 | 5,144 |
| Supervisor | 10,000 | 15,200 | 10,275 | 4,925 |
| Elections | 6,000 | 6,000 | 5,226 | 774 |
| Clerk | 6,000 | 8,100 | 6,170 | 1,930 |
| Board of review | 1,000 | 1,000 | 981 | 19 |
| Treasurer | 5,500 | 7,200 | 5,263 | 1,937 |
| Total general government | 46,500 | 55,500 | 40,771 | 14,729 |
| Public safety | | | | |
| Fire protection | 9,000 | 9,000 | 9,000 | -0- |
| Public works | | | | |
| Highways, streets, and bridges | 57,000 | 48,000 | 50,188 | (2,188) |
| Health and welfare | | | | |
| Ambulance | 4,800 | 4,800 | 4,578 | 222 |
| TOTAL EXPENDITURES | 117,300 | 117,300 | 104,537 | 12,763 |
| NET CHANGE IN FUND BALANCE | (14,400) | (14,400) | 2,239 | 16,639 |
| Fund balance, beginning of year | 97,282 | 97,282 | 97,282 | -0- |
| Fund balance, end of year | \$ 82,882 | \$ 82,882 | \$ 99,521 | \$ 16,639 |

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Trustees
Township of North Plains
Hubbardston, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of North Plains as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of North Plains' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

PREPARATION OF FINANCIAL STATEMENTS

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America. The auditor cannot be a part of the internal controls.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements of preparing the financial statements and so that they may take responsibility for the statements and the appropriate disclosures.

FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, it was noted that the Township has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Township not developing a fraud risk assessment and monitoring program it is unable to assess the Township's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

We recommend that the Township develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

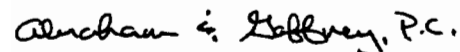
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported.

This report is intended solely for the information and use of management and Members of the Board of Trustees for the Township of North Plains, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

July 11, 2007